

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 21, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan. 23
 - Initial jobless claims (Jan. 18)
 - House price index (Nov)
 - Existing home sales (Dec)

EUROZONE

- Jan. 21
 - DE: ZEW (Jan)
- Jan. 23: PMI manuf (Jan)

SEE

SERBIA

- Jan. 20: CAD (Nov)
- Jan 24: real wages (Dec)

ROMANIA

- Jan. 20: RON500mn T-bonds auction
- Jan. 23: RON1bn 3.4% 2019 T-bonds auction

BULGARIA

- Jan. 20
 - U/E rate (Dec)
 - T-bonds auction
- Jan. 24: Gross external debt (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD retained a firm tone in European trade on Tuesday following a press report suggesting that the Fed will reduce by a further \$10bn the pace of its asset purchases at the upcoming January 28-29 monetary policy meeting.

GREECE: According to the most recent Bank of Greece data, Eurosystem funding to Greek banks increased in December, halting a 7-month falling streak. It should be noted that the gradual reduction of Greek bank's dependence on Eurosystem liquidity constitutes a key target of the present MoU agreed with official lenders.

SOUTH EASTERN EUROPE

SERBIA: The exact timing of an agreement over a potential UAE €3bn loan to Serbia remains under question.

ROMANIA: RON government bonds continue to rally on the back of excess RON liquidity in the money markets.

BULGARIA: According to ILO unemployment in Bulgaria is expected to peak in 2015. MoF issued new 5-year BGN paper at an average accepted yield of 2.17%.

CESEE Markets: Emerging stock markets closed broadly lower on Monday amid concerns about China's growth outlook. **Regional currencies** broadly weakened yesterday against a firmer USD.

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Latest world economic & market developments

GLOBAL MARKETS

The USD retained a firm tone in European trade on Tuesday following a press report suggesting that the Fed will reduce by a further \$10bn the pace of its asset purchases at the upcoming January 28-29 monetary policy meeting. Against this environment, the US dollar index (DXY) was trading close to 81.204 at the time of writing, within distance from a two-week high of 81.296 hit on Monday following a short-lived drop to 80.496 early last week. Elsewhere, the majority of Asian bourses ended higher today with Japan's Nikkei 225 average index outperforming the region favored by a weaker domestic currency. The announcement by the People's Bank of China for a hefty 225bn yuan liquidity injection aiming to curb a recent spike in money market rates, also favored market sentiment towards risky assets.

GREECE

According to the most recent Bank of Greece data, Eurosystem funding to Greek banks increased in December, halting a 7-month falling streak. Eurosystem funding stood at €73.02bn compared to a multi-year low of €70.09bn in the prior month. Despite the December rise, Eurosystem funding was still below levels of ca €107bn recorded in early 2013. It should be noted that the gradual reduction of Greek bank's dependence on Eurosystem liquidity constitutes a key target of the present MoU agreed with official lenders.

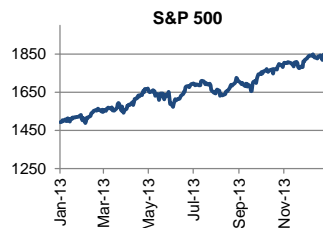
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Latest developments in the CESEE region

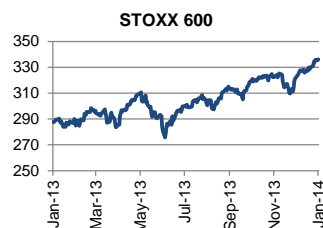
CESEE markets

Emerging stock markets closed broadly lower on Monday amid concerns about China's growth outlook. The MSCI index of emerging equities ended in a marginally negative territory of -0.15%, while Turkey's BIST 100 index posted modest gains of 0.20% paring a small part of its recent losses. **Regional currencies** broadly weakened yesterday against a firmer USD. The Turkish lira slid to a new lifetime low of 2.2508/USD pressured by ongoing domestic political tensions as well as expectations about a further withdrawal of the Fed's stimulus programme in the coming months. The Central Bank holds its MPC meeting tomorrow, where market participants broadly anticipate interest rates to remain unchanged. Even so, an increase at the overnight lending rate aimed at supporting the domestic currency, can not be ruled out entirely. The Central Bank of Hungary holds its MPC meeting later today. Expectations are for a 10bps cut in the base rate to a record low of 2.90%. Along these lines, the Hungarian forint touched a 1-month trough of 302.15/EUR on Monday. In the **external debt markets**, Turkey's 5-year CDS spreads spiked to a multi-week high of 249.7bps on Monday, within distance from a 1-½-year peak of 250.46bps hit late last month. Separately, Ukraine's 5-year CDP spreads jumped 25bps to close at 719.8bps as anti-government protests erupted anew in Kiev on Sunday following the endorsement of laws on January 16th, which protesters allege they limit rights to the freedom of speech and peaceful assembly. Recall that Ukraine has been mired in political uncertainty for weeks, after the government decided not to sign an EU trade agreement in November last year. Opposition parties have reportedly called for early presidential elections and recently announced their intention to form a "people's government".

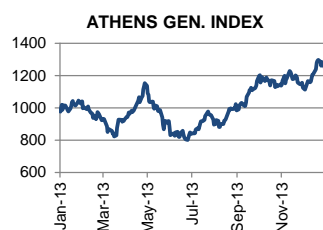
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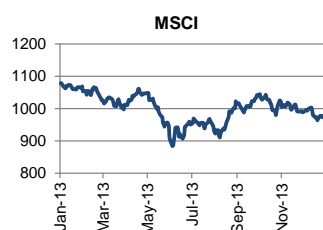
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B-	B-

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.7	2.0	1.0
CPI (pa, yoy %)	7.3	7.9	5.5
Budget Balance/GDP	-6.4	-5.6	-5.5
Current Account/GDP	-10.5	-4.1	-3.2
EUR/RSD (eop)	112.30	114.57	115.00
	current	2013	2014f
Policy Rate (eop)	10.00	9.50	9.50

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

SERBIA

(Belgrade, 20/1/2014, 16:00 CET): **Latest Political & Macro Developments:** The exact timing of an agreement over a potential UAE €3bn loan to Serbia remains under question. The most recent press reports suggest that the loan may not be available until later in the year. It is worth noting that these funds have been included in the 2014 State Budget and represent roughly half of the government's borrowing plans for this year. If, for some reason, a loan deal is not finally reached, or is even further delayed, the government will likely have to cover the gap by issuing additional securities at a potentially much higher cost, whereas the interest rate on the UAE loan is said to have been preliminarily agreed at around 2.5%. **Market Developments:** The EUR/RSD retested a recent high of 115.70/90 before easing to 115.60/80 soon after the Central Bank intervened anew in the FX markets selling EUR10mn to halt the dinar's recent weakening trend. In other news, the main stock index BELEX15 ended nearly flat (-0.01%) on relatively light trading.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.2	2.2
CPI (pa, yoy %)	3.3	4.0	3.0
Budget Balance/GDP	-3.0	-2.5	-2.2
Current Account/GDP	-4.0	-1.2	-1.5
EUR/RON (eop)	4.44	4.46	4.70
	2013	current	2014f
Policy Rate (eop)	4.00	3.75	3.75

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

ROMANIA

(Bucharest, 20/1/2014, 08.45 EET): **Market Developments:** The EUR/RON was little changed on Monday, hovering around levels of 4.5350, while short term interest rates remained close to the deposit facility rate at 0.75%. The MoF issued on Monday RON 714mn in 5Y Nov 2018 government bonds, above the RON 500mn planned amount. The auction produced a lower-than-expected average yield of 4.15%, well below 4.90% achieved at the previous auction of similar maturity paper in December.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.4	1.4
Budget Balance/GDP	-0.8	-2.0	-2.0
Current Account/GDP	-1.3	0.3	0.0
EUR/BGN (eop)		1.95583	
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

BULGARIA

(Sofia, 20/01/2014, 17.30 EET): **Latest Political & Macro Developments:** According to the latest International Labour Organization (ILO) Global Employment Trends report, the unemployment rate in Bulgaria is projected to increase to 13.5% in 2014 from 13.1% in 2013 and hit a multi-year peak of 13.8% in 2015, before easing thereafter to reach 11% in 2018. **Market Developments:** The results of this year's first new 5-year BGN benchmark auction came in better-than-expected, with the Ministry of Finance placing BGN 50mn (EUR 25.6mn) at an average yield of 2.17% compared to market forecasts of 2.20-2.25%. The bid/cover ratio stood at 2.42. In the secondary market yields in the 5-7 year sector declined, with the BGN curve undertaking some steepening. Meanwhile the local stock market experienced some correction on Monday following a strong rally staged over the last few weeks. Major domestic stock indices lost between 0.30% and 0.50%.

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January 21, 2014

GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	1838.70	-0.4%	-0.5%	EUR/USD	1.3532	-0.1%	-1.5%	UST - 10yr	2.85	4	-17	GOLD	1250	-0.4%	3.7%
Nikkei 225	15795.96	1.0%	-3.0%	GBP/USD	1.642	-0.1%	-0.8%	Bund-10yr	1.75	1	-18	BRENT CRUDE	167	0.0%	#VALUE!
STOXX 600	336.12	0.2%	2.4%	USD/JPY	104.75	-0.5%	0.5%	JGB - 10yr	0.69	2	-5	LMEX	3166	-0.5%	0.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.88	3	-13
1-week	8.21	5	-7
1-month	8.51	5	-7
3-month	8.83	2	-5
6-month	9.10	2	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.09	3	4
5Y RSD	12.20	2	-62
7Y RSD	13.39	0	-42

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.28	0	-73
USD Nov-24	6.81	0	-9

CDS

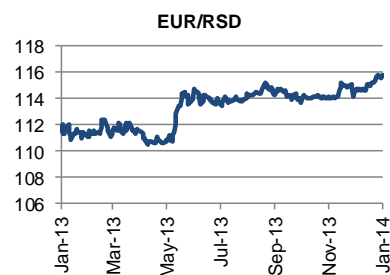
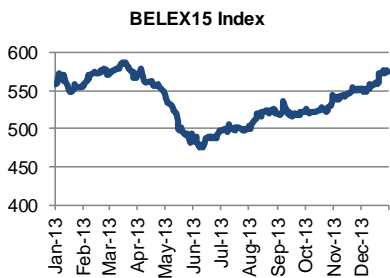
	Last	ΔDbps	ΔYTD bps
5-year	362	0	-47
10-year	398	3	-49

STOCKS

	Last	ΔD	ΔYTD
BELEX15	575.7	-0.01%	3.17%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.8	-0.48%	-1.04%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.01	0	-73
1-month	1.45	0	-43
3-month	1.99	0	-45
6-month	2.68	0	-31
12-month	2.77	0	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.15	0	-80
5Y RON	4.15	0	-50
10Y RON	5.10	-1	-20

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.59	2	-26
USD Aug-23	4.83	5	3

CDS

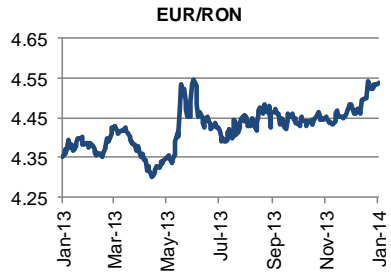
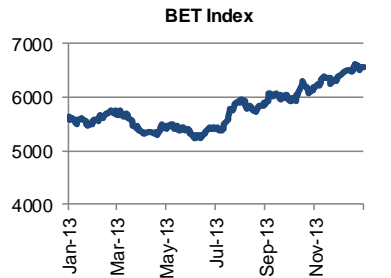
	Last	ΔDbps	ΔYTD bps
5-year	181	0	-4
10-year	228	3	-4

STOCKS

	Last	ΔD	ΔYTD
BET	6581.9	0.35%	1.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5346	0.01%	-1.36%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.30	0	-2
3-month	0.63	-1	-1
6-month	1.16	0	0
12-month	2.21	0	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	-2	-1
5Y BGN	1.79	-4	-5
10Y BGN	3.53	0	4

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.82	2	23
EUR Jul-17	1.72	-21	-8

CDS

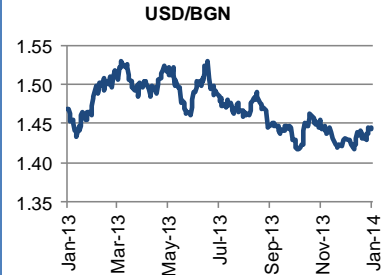
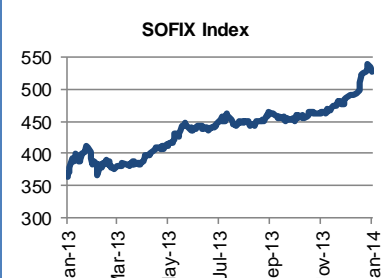
	Last	ΔDbps	ΔYTD bps
5-year	124	0	0
10-year	174	1	-1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	527.9	-1.27%	7.40%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4454	-0.15%	-1.54%



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